

Theory of Land and Efficient Land Markets through Real Estate Exchange

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Abstract

Real Estate Exchange as to widen the scope of market, facilitate easy trading to avoid wide fluctuations in the market. The exchange would also enable price discovery through efficient allocation and distribution of resources. Real Estate exchange is the need of the hour. It would widen the scope of market, introduce greater liquidity, lead to price discovery, efficient allocation and distribution of resources while integrating the real sector with the economic growth and development. We propose an equity and debt participatory note instrument to be devised to distribute the legal and economic right over the real estate. An entire system of institutions and departments is further proposed in the article to enable the real estate exchange to operate and function. Digitalization of land records along with real time transaction recording is also proposed as one of the requisites for setting up an exchange. The exchange proposed aims to achieve allocation, distribution and information efficiency.

THERE IS AN important / urgent need for a Real Estate Exchange as to widen the scope of market, facilitate easy trading to avoid wide fluctuations in the market. The exchange would also enable price discovery through efficient allocation and distribution of resources.

Real estate is one of the most important vehicle of storage of wealth for any economy and its people. The distribution of income and wealth has been a matter of concern for most economies. However, engines of growth have created wide disparities between those who generate income and those who have wealth. Liquidity has been a serious concern for the investments

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that rest in the real estate sector yet it continues to carry a heavy weight in most investment profiles of Households, Corporates and Governments. Unproductive Investments cost the society heavily as they create idle investment capacities that do not yield any value additions to the economy over the years. Valuations continue to be guided by market sentiments over and above any well thought out unanimously decided, scientifically designed model. Markets continue to seek efficiencies with limited number of agents and unlimited buyers and sellers. Competition and market supply is restricted and information asymmetries lead to inefficient or sub-optimal choices. Government continues to seek means to better allocation and more societal welfare with new constructions and developments that are often haunted by environmentalists concerns and social activities. Allegation of Nepotism, corruption and commercialization continue to affect allocation both in the public and private selling spaces. Advanced or Emerging economies continue to struggle in defining means and policies that can counter real estate bubbles and can predict boom and bust cycles.

The demand for the real estate depends on the size, dimension and demographic profile of population. A brief look at the population statistics clearly indicate that there is too much pressure on the available land resources available world over . The demand for land in urban areas is more than in the country side for various reasons in the value and trading is also much higher in urban areas. The world population has reached 7.3 billion as of mid 2015. Sixty per cent of the global population lives in Asia (4.4 billion), 16 per cent in Africa (1.2billion), 10 per cent in Europe (738 million), 9 per cent in Latin America and the Caribbean (634 million),and the remaining 5 per cent in Northern America (358 million) and Oceania (39 million). China (1.4billion) and India (1.3 billion) represent 19 and 18 per cent of the world's population. The World population is likely to grow to 11, 213 million in 2100 from 9725 (2050), 8501 (2030) and 7349 (2015) as per United Nations estimates. Asia and Africa are likely to have the highest growth as can be seen from the Table I below.

Table I
Projected Population Growth

Major area	Population (millions)			
	2015	2030	2050	2100
World	7 349	8 501	9 725	11 213
Africa	1 186	1 679	2 478	4 387
Asia	4 393	4 923	5 267	4 889
Europe	738	734	707	646
Latin America and the Caribbean	634	721	784	721
Northern America	358	396	433	500
Oceania	39	47	57	71

Source: United Nations, Department of Economic and Social Affairs, Population Division (2015).
World Population Prospects: The 2015 Revision. New York: United Nations.

Note : According to the 2015 revision of world population Prospects.